

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6226

BILL NUMBER: HB 1157

NOTE PREPARED: Dec 9, 2011

BILL AMENDED:

SUBJECT: Tax Credit for Tuition Expenses.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a tax credit against state tax liability to an employer that incurs tuition expenses for a course taken by an employee at a state educational institution if the employee achieves a final grade point of at least 2.0 (or its equivalent) for the course.

Effective Date: July 1, 2012.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary:* The bill establishes a nonrefundable tax credit for an employer that: (1) incurs tuition expenses for an employee who attends a state educational institution and receives a grade of at least a C in the course; and (2) does not claim the federal tax deduction for the tuition assistance. Creditable tuition includes the cost of required books, course supplies, and course fees.

The revenue loss from this credit could be significant, with a substantial portion of credits being claimed by employers already paying employee education expenses. The U.S. Bureau of Labor Statistics (BLS) estimates that 49% of all workers have access to work-related education assistance from their employers. If the take-up rate for employer-provided educational assistance by employees estimated to have access to such assistance is 1%, about 12,000 Indiana workers annually would receive such educational assistance. Based on 6 credit hours of course work per year and tuition cost, including book costs, ranging from \$900 to \$1,900, creditable employer-provided tuition assistance for this group could total \$10.8 M to \$22.8 M.

Background Information: The tax credit is effective beginning in tax year 2013, so revenue loss from the credit could begin in FY 2013 if employers eligible for credits change their estimated payments in the first half of 2013. The tax credit could be claimed by employers paying individual or corporate adjusted gross income tax, financial institutions tax, or insurance premiums tax. Revenue from these taxes is distributed to the state General Fund. The tax credit is nonrefundable, and unused credits may not be carried back. However, unused credits may be carried forward for up to five years.

The revenue loss scenario is based on employee benefit estimates data from the BLS suggesting that 49% of all private sector workers have access to work-related education assistance from their employers. The private employment count in Indiana totaling almost 2.4 million is based on BLS estimates as of October 2011. Information is unavailable as to the worker take-up rate of education assistance offered by employers, so 1% is assumed for the scenario. The tuition range, including cost of required books and other fees, is representative of such costs at Ivy Tech and IUPUI.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Bureau of Labor Statistics, *Employee Benefits Survey*, <http://www.bls.gov>. Ivy Tech Community College, *Affordable Tuition*, <http://www.ivytech.edu/why-ivy-tech/>. IUPUI, *IUPUI Tuition & Fee Estimator*, <http://finance-admin.iupui.edu/costestimator.aspx>. U.S. Bureau of Labor Statistics, *State and Area Employment, Hours, and Earnings*, <http://www.bls.gov>.

Fiscal Analyst: Jim Landers, 317-232-9869